

Memorandum



CITY OF DALLAS

DATE February 3, 2017

TO Honorable Members of the Budget, Finance, & Audit Committee:
Jennifer S. Gates (Chair); Philip T. Kingston (Vice Chair); Erik Wilson; Rickey D. Callahan; Scott Griggs; and Lee M. Kleinman

SUBJECT **FY 2016-17 Community Development Block Grant Extensions and Reprogramming**

On Monday, February 6, 2017, the Office of Financial Services and Housing/Community Services will brief the Housing Committee and Budget, Finance, & Audit Committee on FY 2016-17 Community Development Block Grant Extensions and Reprogramming. We have attached the briefing for your review.

Please let me know if you have any questions.

A handwritten signature in blue ink that reads "M. Elizabeth Reich".

M. Elizabeth Reich
Chief Financial Officer

Attachment

c: T.C. Broadnax, City Manager
Larry Casto, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Mark McDaniel, Acting First Assistant City Manager

Eric D. Campbell, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Joey Zapata, Assistant City Manager
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager

FY 2016-17 Community Development Block Grant Extensions and Reprogramming

Briefing to Housing Committee
And
Budget, Finance, & Audit Committee
February 6, 2017



Purpose of Briefing

- Review Community Development Block Grant (CDBG) timely expenditure requirements
- Recommend extension and reprogramming of prior year unspent funds
- Seek Committee's favorable recommendation to move forward with the February 22nd resolution authorizing
 - Extension of CDBG funds;
 - Preliminary adoption of Reprogramming Budget #1 for the FY 2016-17 Action Plan; and
 - Calling the public hearing
- Review next steps

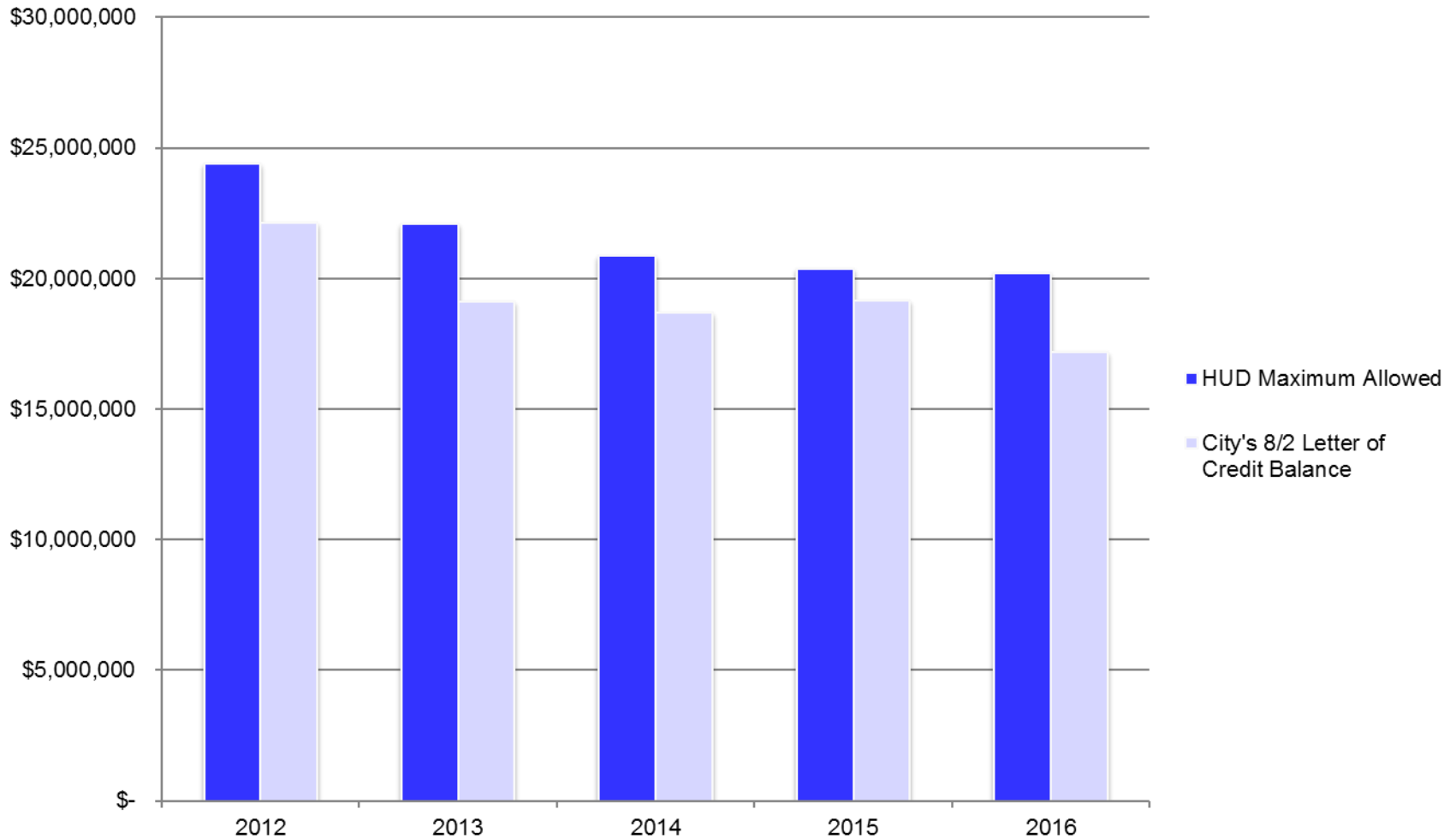
Timely Expenditure Requirements

- There are two tests to ensure that CDBG funds are spent in a timely manner
 1. U.S. Department of Housing and Urban Development (HUD) as required by federal regulations
 2. City as directed by Council policy

HUD Timely Expenditure Requirements

- HUD requires that CDBG funds be expended in a timely manner
 - Federal regulations limit amount of CDBG funds that may be unspent to no more than 1.5 times grantee's annual grant allocation
 - This requirement is tested annually for expenditures through August 1st
 - Failure to meet this requirement would result in a reduction of the next annual grant allocation by the amount grantee exceeds 1.5 requirement
- City continues to meet this requirement (last tested on August 2, 2016)

HUD Timeliness Test



City Timely Expenditure Requirements

- In August 1993, Council established an additional spending policy for all CDBG projects to further ensure timely expenditure of funds
 - The City policy requires funds to be obligated within 12 months and fully expended within 24 months
- In March 2007, Council added criteria and benchmarks to be used in determining conformity with City's timely expenditure policy (see Attachment A)
- Council has authority to approve extensions outside of policy and benchmark timeframes

City Timely Expenditure Requirements

- An annual review is conducted during the first quarter of each fiscal year to determine the status of each project as of September 30th
- Unspent project funding determined to not meet the City's policy is either reprogrammed or an extension is requested
- Based on review of CDBG projects and timely expenditure policies, City Manager's recommended action on December 13th included:
 - Unspent funds remaining in 17 projects recommended for extension – total \$2.9m
 - Unspent funds remaining in 11 projects recommended for reprogramming – total \$1.4m



Community Development Commission Review

- Community Development Commission's (CDC) Financial Monitoring Committee reviewed City Manager's recommendation on December 13th and made no amendments
- On January 5th, CDC reviewed and approved Financial Monitoring Committee's recommendation
- Detail information provided in Attachment B

Reprogramming

- Typically, reprogrammed prior year unspent funds are used as a “source of funds” to be included as part of next CDBG budget cycle
- This year, staff recommends moving forward with budgeting of unspent funds to ensure HUD’s expenditure requirements continue to be met on August 1, 2017
 - Approximately \$1.4m from 11 projects
- Housing/Community Services Department proposed use of funds for the Major Systems Repair Program
 - CDC gave favorable recommendation during their monthly meeting on February 2nd

Reprogramming

- Housing/Community Services Department has received overwhelming response for assistance in the Major Systems Repair Program
 - Over 300 applications in the first quarter of the fiscal year (Oct – Dec 2016)
 - Estimated amount of repairs is over \$6m
 - Approximately 70% of applicants are senior homeowners
- Outreach is underway to expand pool of available contractors to expedite repairs
 - All contractors are MWBE
- Reduce wait-time for citizens needing repairs
- Expenditures would be underway immediately

Recommendation

- Extension of \$2.9m and 17 projects allowing additional time to complete the projects
- Reprogramming of \$1.4m from 11 projects to the Major Systems Repair program with implementation to begin in April 2017

Next Steps

- February 6 – Committees’ consideration to move forward with extensions and reprogramming as recommended
- February 22 – City Council consideration
 - Extension Requests;
 - Preliminary adoption of Reprogramming Budget #1 for the FY 2016-17 Action Plan; and
 - Call public hearing
- March 22 – Hold public hearing
- April 12 – Final adoption of Reprogramming Budget #1 for the FY 2016-17 Action Plan



Attachment A

City Timely Expenditure Requirements

Timely Expenditure Requirements

1. On-Going Programs - On-going programs are continuing operating programs that are funded annually
 - Individual program budgets are an annual allocation and include these types of costs
 - Staffing, supplies and materials
 - Contracted services
 - Direct assistance to benefit low/mod clientele
 - Programs are designated in specific categories (Public Services, Housing, Economic Development, Planning & Program Oversight)
 - Following categories have spending caps which limit annual obligation and expenditure of funds
 - Public Services cap - 15% of allocation
 - Planning & Program Oversight cap - 20% of allocation
 - Extension of funds in these 2 categories may cause City to exceed caps and should be considered carefully

Timely Expenditure Requirements

1. On-Going Programs (continued)

Benchmarks:

- Reprogram unobligated funds for all categories of on-going programs at end of fiscal year
 - Exception: allow 2 year period to obligate funds in programs that provide direct assistance to low/mod clientele in non-capped Economic Development and Housing categories
 - These programs include: Home Repair Programs, Reconstruction, Relocation Assistance, Mortgage Assistance
- Extension of encumbered funds will be considered each year in accordance with current policy
- Reprogram unobligated staff and contract costs

Timely Expenditure Requirements

2. Unspecified Programs – Projects that are budgeted without specific details for implementation (examples include Business Development Program, and Residential Development Acquisition Loan Program)

Benchmarks:

- 1 year to identify project
- 1 year to secure additional financing and complete design
- 1 year to initiate implementation or construction
- Annually, extension of funds will be evaluated for project viability and potential for reimbursement of ineligible CDBG expenses to HUD from General Fund
 - Extension recommendation will be submitted to Council for approval, in accordance with current policy

Timely Expenditure Requirements

3. Public Improvement Projects - Capital improvements - Projects generally require more time to implement (examples include Public Improvements in NIP areas, Park Facilities Improvements, City Facilities Major Maintenance)

Benchmarks:

- Specific Public Improvement Projects (project location identified in budget)
 - 1 year for design
 - 1 year to initiate construction
- Non-specific Public Improvement projects (project location not identified in budget)
 - 2 years to identify project(s) and complete design
 - 1 year to initiate construction
- Annually, extension of funds will be evaluated for project viability and potential for reimbursement of CDBG expenses to HUD from the General Fund
 - Extension recommendation will be submitted to Council for approval, in accordance with current policy

Timely Expenditure Requirements

4. Non-profit Public Improvement Projects - Capital improvement projects located at non-profit facilities.

Benchmarks:

- Specific Public Improvement Projects (project location identified in budget)
 - 1 year for design
 - 1 year to initiate construction
- Non-specific Public Improvement projects (project location not identified in budget)
 - 2 years to identify project(s) and complete design
 - 1 year to initiate construction
- Annually, extension of funds will be evaluated for project viability and potential for reimbursement of CDBG expenses to HUD from the General Fund
 - Extension recommendation will be submitted to Council for approval, in accordance with current policy

Timely Expenditure Requirements

5. Davis Bacon Restitution

- Davis Bacon Act requires minimum wage rates for certain construction work classifications
- City staff evaluates contractor's compliance with Act
- To resolve violations, a restitution amount is determined and City or contractor has to contact affected employees
- Payments to contractor are suspended and funds are retained to pay restitution to affected employees
- Restitution funds must be held for 3 years, beginning from 1st documented notification to employee (escrow period)

Benchmarks:

- Unclaimed restitution funds will be reprogrammed at end of project's 3 year escrow period



Attachment B

Extensions & Reprogramming Project Listing By Department

FY 2016-17 COMMUNITY DEVELOPMENT BLOCK GRANT											
EXTENSION REQUEST AND REPROGRAMMING FUNDS											
as of September 30, 2016											
	Fiscal Year	Dept	Project Name	A Appropriations	B Expended	C Encumbrances	D Unobligated	Benchmark	E Extension Request	F Reprogramming Funds	G Explanation
HOUSING/COMMUNITY SERVICES											
1	10-11	HOU	BIP Façade Improvement	\$78,592	\$50,000	\$0	\$28,592	B-2		\$28,592	Projects completed; remaining balance to be reprogrammed.
2	15-16	HOU	City Child Care Services Program	\$299,697	\$262,505	\$29,694	\$7,498	B-1	\$29,694	\$7,498	Extension requested to continue subsidies to low-income working parents. Unobligated balance to be reprogrammed. Estimated completion: April 2017.
3	12-13	HOU	Community Based Development Organization - CWCDC	\$300,000	\$215,771	\$0	\$84,229	B-2		\$84,229	Project completed; remaining balance to be reprogrammed.
4	10-11	HOU	Community Based Development Organization - EDCO	\$200,000	\$98,492	\$101,508	\$0	B-2	\$101,508		Extension requested to complete senior housing project. Estimated completion: June 2017.
5	10-11	HOU	Community Based Development Organization - EDCO	\$500,000	\$485,896	\$14,105	\$0	B-2	\$14,105		Extension requested to complete senior housing project. Estimated completion: June 2017.
6	11-12	HOU	Community Based Development Organization - EDCO	\$300,000	\$15,583	\$284,417	\$0	B-2	\$284,417		Extension requested to complete senior housing project. Estimated completion: June 2017.
7	15-16	HOU	Housing Development Support	\$1,327,668	\$1,064,407	\$353	\$262,909	B-1		\$263,261	Payment of outstanding year-end expenses pending; remaining prior year balance to be reprogrammed.
8	14-15	HOU	Housing Development Support	\$709,778	\$642,825	\$0	\$66,953	B-1		\$66,953	Program funded in FY17; remaining prior year balance to be reprogrammed.
9	12-13	HOU	Mortgage Assistance Program	\$1,264,863	\$1,227,641	\$20,272	\$16,951	B-1		\$37,222	Payment of outstanding year-end expenses pending; remaining prior year balance to be reprogrammed.
10	14-15	HOU	Mortgage Assistance Program	\$1,165,856	\$768,069	\$24,168	\$373,619	B-1	\$397,787		Extension requested to provide mortgage assistance to homebuyers. The encumbered funds are for 4 homebuyers ready to close. Of the unobligated funds 38 homebuyers are pending closing and the remaining balance would assist 21 homebuyers with down payment and closing costs. Estimated completion: July 2017.
11	10-11	HOU	NIP-Neighborhood Investment Program-Infrastructure	\$1,500,000	\$479,541	\$0	\$1,020,459	B-3	\$1,020,459		Project cancelled. Extension requested for Neighborhood Plus projects. Estimated completion: September 2017.
12	13-14	HOU	NIP-SDFP/Mingo/Beall Streets Public Improvement	\$414,000	\$95,592	\$25,653	\$292,755	B-3	\$318,408		Extension requested to complete Beall and Mingo street improvements. Project in design phase. Estimated completion: May 2018.
13	12-13	HOU	NIP-South Dallas Ideal/Rochester Park Public Improvements	\$100,000	\$83,948	\$16,052	\$0	B-3	\$16,052		Extension requested to complete Bexar Street public art project. Estimated completion: March 2017.
14	13-14	HOU	NIP-South Dallas/Fair Park Public Improvements	\$343,318	\$156,812	\$186,506	\$0	B-3	\$186,506		Extension requested to complete Spring Avenue Redevelopment Project Phase 1. Estimated completion: May 2017.

FY 2016-17 COMMUNITY DEVELOPMENT BLOCK GRANT											
EXTENSION REQUEST AND REPROGRAMMING FUNDS											
as of September 30, 2016											
	Fiscal Year	Dept	Project Name	A Appropriations	B Expended	C Encumbrances	D Unobligated	Benchmark	E Extension Request	F Reprogramming Funds	G Explanation
15	10-11	HOU	NIP-Spring Avenue Infrastructure	\$1,500,000	\$1,353,364	\$146,636	\$0	B-3	\$146,636		Extension requested to complete Spring Avenue Redevelopment Project Phase 1. Estimated completion: May 2017.
16	11-12	HOU	NIP-Spring Avenue Infrastructure	\$334,216	\$118,740	\$215,476	\$0	B-3	\$215,476		Extension requested to complete Spring Avenue Redevelopment Project Phase 1. Estimated completion: May 2017.
17	10-11	HOU	NIP-Spring Avenue Infrastructure	\$162,355	\$127,368	\$2,849	\$32,138	B-3	\$34,987		Extension requested to complete Spring Avenue Redevelopment Project Phase 1. Estimated completion: May 2017.
18	13-14	HOU	Reconstruction Program	\$400,000	\$309,000	\$91,000	\$0	B-2	\$91,000		Extension requested to complete contract payments. Estimated completion: April 2017.
19	11-12	HOU	Residential Development Acquisition Loan Program	\$228,509	\$158,290	\$0	\$70,219	B-2		\$70,219	Project completed; remaining balance to be reprogrammed.
20	12-13	HOU	Residential Development Acquisition Loan Program	\$500,000	\$0	\$0	\$500,000	B-2		\$500,000	Project cancelled; funds to be reprogrammed.
TOTAL HOUSING/COMMUNITY SERVICES				\$11,628,851	\$7,713,842	\$1,158,688	\$2,756,321		\$2,857,035	\$1,057,974	
OFFICE OF ECONOMIC DEVELOPMENT											
21	14-15	ECO	BAC#2 Dallas Black Chamber of Commerce	\$40,000	\$23,660	\$16,340	\$0	B-1	\$16,340		Extension requested to complete contract payments. Estimated completion: April 2017.
22	14-15	ECO	BAC#3 Sammons Business & Community Lenders of Texas	\$40,000	\$5,231	\$34,769	\$0	B-1	\$34,769		Extension requested to complete contract payments. Estimated completion: April 2017.
23	14-15	ECO	BAC#4 Spring Av-Business & Community Lenders of Texas	\$80,000	\$45,119	\$34,881	\$0	B-1		\$34,881	Project completed; remaining prior year balance to be reprogrammed.
24	14-15	ECO	BAC#6 Hampton Regional Hispanic Contractors	\$40,000	\$23,705	\$16,295	\$0	B-1	\$16,295		Extension requested to complete contract payments. Estimated completion: April 2017.
25	14-15	ECO	BAC#7 Illinois Regional Hispanic Contractors	\$80,000	\$78,422	\$1,578	\$0	B-1	\$1,578		Extension requested to complete contract payments. Estimated completion: April 2017.
26	14-15	ECO	BAC#8 Record Crossing - BCL of Texas	\$80,000	\$70,362	\$9,638	\$0	B-1		\$9,638	Project completed; remaining prior year balance to be reprogrammed.
TOTAL OFFICE OF ECONOMIC DEVELOPMENT				\$360,000	\$246,500	\$113,501	\$0		\$68,982	\$44,519	
OFFICE OF FINANCIAL SERVICES											
27		BMS	Reprogrammed Funds	\$311,103	\$0	\$0	\$311,103			\$311,103	Unawarded and unspent funds from projects completed per HUD guidelines.
TOTAL OFFICE OF FINANCIAL SERVICES				\$311,103	\$0	\$0	\$311,103		\$0	\$311,103	
GRAND TOTAL				\$12,299,954	\$7,960,342	\$1,272,189	\$3,067,424		\$2,926,017	\$1,413,595	